

Message Text

CONFIDENTIAL

PAGE 01 BAGHDA 00046 200929Z

17

ACTION EB-07

INFO OCT-01 EUR-12 NEA-09 ISO-00 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 FEA-01 PA-01

PRS-01 USIA-06 /099 W

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R 170850Z JAN 75

FM USINT BAGHDAD

TO SECSTATE WASHDC 1548

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY THE HAGUE

C O N F I D E N T I A L BAGHDAD 46

E.O. 11652: GDS

TAGS: ENRG, IZ

SUBJECT: BPC-GOI AGREEMENT

REF: BAGHDAD 29; 40

1. SUMMARY: IPC MANAGING DIRECTOR STOCKWELL DID NOT DEPART AS SCHEDULED JAN 14 BECAUSE OF LAST MINUTE GOI INSISTENCE THAT HE STAY UNTIL INTERIM ACCORD REACHED. AT SAME TIME, GOI ATTEMPTED TO OBTAIN MAJOR CONCESSIONS FROM BPC WHICH WERE RESISTED. AGREEMENT SIGNED AND STOCKWELL FINALLY DEPARTED JAN 16. GOI INSISTENCE ON QUICK AGREEMENT SEEMS RELATED TO DESIRE TO EXPAND PRODUCTION. ALTHOUGH COMPENSA-
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PAGE 02 BAGHDA 00046 200929Z

TION TO NEDC NOW PAID, U.S. STILL HAS INTEREST IN AFFAIRS

OF BPC. END SUMMARY.

2. AGREEMENT S IN FORM OF TWO LETTERS. FIRST LETTER IS FROM BPC TO GOI AND SPECIFIES NET AMOUNT OWED BY BPC MINUS AMOUNT GOI OWES BPC FOR PERIOD FROM JAN 1, 1973 THROUGH DEC 31, 1974. IT DOES NOT EXPLAIN HOW FIGURE ARRIVED AT. THIS LETTER COUNTERSIGNED BY MINISTER OF OIL ABDUL KARIM STATING THAT GOI AGREES WITH FIGURE. ALTHOUGH ABDUL KARIM SIGNED LETTER, ALL NEGOTIATIONS WERE WITH MIN PET UNDER SECRETARY CHALABI. STOCKWELL DID NOT SHOW ME COPY OF LETTER AND I DO NOT KNOW PRECISE AMOUNT MENTIONED, BUT PRESUMABLY IT IS IN NEIGHBORHOOD OF 250 MILLION DOLLARS (BAGHDDAD 29).

3. SECOND LETTER FROM BPC CONTAINS COMMITMENT TO SEND REPRESENTATIVE TO BAGHDAD WITHIN 15 DAYS TO INFORM GOI OF QUANTITY OF OIL BPC WILLING TO LIFT DURING FIRST HALF OF 1975.

4. SNAG WHICH DELAYED SIGNING OF AGREEMENT RESULTED FROM GOI SUBMISSION OF ITS OWN DRAFT LETTER ON JAN 13. IT CONTAINED SEVERAL OBJECTIONABLE CONDITIONS; INCLUDING BPC GUARANTEE THAT IRAQ WOULD RECEIVE SAME BENEFITS AND ADVANTAGES THAT ANY OTHER GULF STATE RECEIVED, AND STATEMENT THAT BPC HAD "OBLIGATION" TO LIFT 57 PERCENT OF BPC PRODUCTION DURING FIRST HALF 1975. STOCKWELL SAID HE HAD NO AUTHORITY TO ACCEPT LIFTING "OBLIGATION" AND GOI AGREED TO DROP SUBJECT FROM LETTER IN VIEW BPC COMMITMENT TO PROVIDE RESPONSE WITHIN 15 DAYS. CHALABI MADE CLEAR, HOWEVER, THAT QUANTITY BPC AGREES TO LIFT DURING FIRST HALF OF YEAR WILL HAVE CRUCIAL BEARING ON GOI ATTITUDE TOWARD BPC IN NEGOTIATIONS ON FUTURE RELATIONSHIP (THESE NEGOTIATIONS TO BEGIN WITHIN SIX MONTHS). ON GOI DEMAND FOR MOST FAVORED GULF NATION STREATMENT, LETTER APPARENTLY CONTAINS SOME SMBIGUOUS SENTENCE THAT GOI FOUND ACCEPTABLE.

5. STOCKWELL SAID IRAQIS PLANNED NO PUBLICITY ABOUT AGREEMENT. ONE OF REASONS IS GOI IMPLICIT ACCEPTANCE OF 75-25 PARTICIPATION FOR 1973 AND 60-40 PARTICIPATION FOR 1974.

CONFIDENTIAL

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PAGE 03 BAGHDA 00046 200929Z

6. COMMENT: STOCKWELL PROFESSED TO BE AT LOSS TO EXPLAIN GOI INSISTENCE ON HAVING AGREEMENT NOW AND HE SPECULATED THAT PERHAPS GOI IN NEED OF CASH. MORE LIKELY EXPLANATION, IN MY OPINION, IS THAT GOI INCREASINGLY CONCERNED BY PRODUCTION CUTBACKS AT TIME WHEN IT ANXIOUS TO EXPAND PRODUCTION (BAGHDAD 04). IRAQI LEADERS ALMOST CERTAINLY FIND UNACCEPTABLE PRESENT STATE OF AFFAIRS IN WHICH IRAQ'S PRODUCTION

REMAINS UNDER 2 MILLION B/D AND ITS CHEIF AREA RIVALS, IRAN AND SAUDI ARABIA ARE PRODUCING AT 6 AND 8.5. THEY MUST FEAR THAT SUCH RATIOS COULD BECOME PERMANENT. FURTHERMORE, AT END OF 1973 IRAQ HAD LARGER FINANCIAL RESERVES THAN IRAN (1.6 VS. 1.2 BILLION DOLLARS) WHEREAS BY SEPTEMBER 77IRAN HAD MORE THAN DOUBLE IRAQ'S (6.3 VS. 3.0), ACCORDING TO IMF INTERNATIONAL FINANCIAL STATISTICS OF NOVEMBER. IN CIRCUMSTANCES, IT SEEMS PROBABLE THAT GOI HAS CONCLUDED THAT TO CHANGE CURRENT PRODUCTION RATIOS AND EXPAND ITS MARKETS, IT IS GOING TO NEED ALL HELP IT CAN OBTAIN, PARTICULARLY THAT OF MAJOR OIL COMPANIES.

7. ALTHOUGH ACCORD PRESUMABLY SATISFIES MOBIL AND EXXON (NEDC) COMPENSATION CLAIM AGAINST GOI, U.S. INTEREST IN AFFAIRS OF BPC HAS NOT NECESSARILY ENDED. MY UNDERSTANDING FROM BPC REPRESENTATIVE IS THAT, ACCORDING TO BRITISH LAW, NEDC IS STILL PART OWNER AND RECEIVING ITS SHARE OF BPC LIFTINGS. WOULD APPRECIATE ANYTHING EMBASSY LONDON COULD PROVIDE ON COMPLICATED LEGAL STATUS OF AMERICAN INTEREST IN BPC. LOWRIE

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